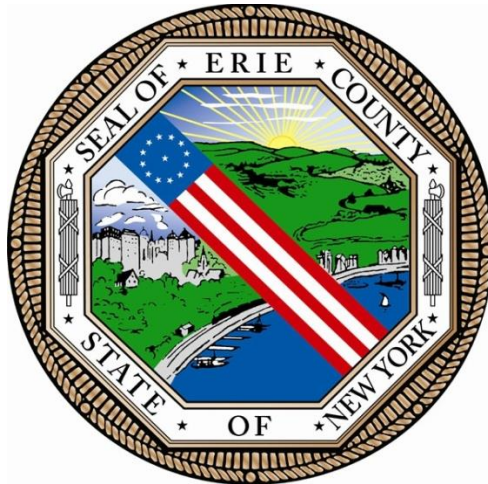


April 2018

A Report on Sales Tax Sharing with School Districts in Erie County and Benefits of Shared Services



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April 5, 2017

Erie County Legislature
92 Franklin Street 4th Floor
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Dear Honorable Members:

The Erie County Comptroller's Office has completed a report on sales tax sharing with school districts in Erie County.

Our objectives were to:

- Inform as to the amount of sales tax collected in Erie County that is shared with school districts.
- Compare the amounts shared in 2017 with the amounts shared in 2016.
- Understand the process for school districts to consolidate.
- Establish if other cost savings strategies might be more effective than consolidation.

To accomplish these objectives, we reviewed disbursements made to school districts pursuant to New York State law and a sales tax sharing agreement entered into by Erie County in 1977. Further, we reviewed New York State law regarding consolidation of school districts. We also examined studies which looked in depth at the issue of whether consolidation is effective in certain types of districts, as well as the success of consolidation attempts.

As a result of our examination, we determined that Erie County shares over \$100,000,000 in sales tax proceeds each year with school districts who serve Erie County resident students. The proceeds are, according to a binding agreement, shared with school districts based solely upon average daily attendance and no other factors. Consolidation, or failure to consolidate, would have no impact on this formula.

Further, consolidation would likely be beneficial only for smaller districts. According to studies which examined consolidation of school districts, there are very few districts in Erie County which might benefit from consolidation. These districts might have difficulty finding a partner for consolidation for whom the consolidation would be mutually beneficial.

Rather than pursuing consolidation, entering into shared services agreement might better allow school districts to achieve mutually beneficial cost savings and enhanced service delivery.

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Sales Tax Sharing with School Districts in Erie County

The directive and ability to collect sales tax is outlined in New York State Tax Law Section 1105. This section of the law requires sellers of certain items to collect a sales tax of four percent to be paid to New York State. New York State Tax Law Section 1210 permits cities and counties to collect up to an additional three percent to be paid to the city or county for their uses. Subparagraph (i)(4) authorizes Erie County to collect a further one and three-quarters percent beyond the collective seven percent already collected, for a total of eight and three-quarters percent sales tax.

An agreement entered into by representatives from Erie County, the City of Buffalo, the City of Lackawanna and the City of Tonawanda on December 30, 1977, discussed below, outlines how the additional three percent sales tax will be shared. New York State Tax Law Section 1262-q describes how the one and three-quarters percent above the three percent will be distributed. It states that the first \$12.5 million collected of the additional one percent will be distributed to the cities within Erie County, with the remainder to be distributed to municipalities as described in the 1977 agreement. The further three-quarters of a percent sales tax will be collected for the sole use of Erie County.

The 1977 agreement states that, in reference to the shared portion of sales tax collected in Erie County, "29 percent of such monies is hereby set aside for educational purposes and shall be distributed and paid quarterly to the several school districts in the County in accordance with the total average daily attendance for the last preceding school year of pupils residing in each such district (without regard to the location of the school attended), provided, however, that in the case of school districts which are partially within and partially without the County, the distribution shall be made to each such school district in accordance with the total average daily attendance of the pupils in such school district who reside in the County and in any such case, the amount to be raised by school taxes by the district from the portions of such district within the County shall be reduced by the amount so distributed."

Of the rest of the sales tax collected, 35.3055% will be retained by Erie County, 10.0087% will be distributed to the three cities within Erie County and 25.6858% will be distributed to the three cities and the other municipalities in Erie County.

The agreement allows for the uniform collection of sales tax throughout Erie County. By entering into the agreement, the three cities are abandoning their right to collect its own sales tax. Without the agreement, Erie County would collect sales tax revenue from the areas outside of the three cities. The cities would be allowed to collect their own three percent sales tax for city purposes. This amount would not be shared with Erie County.

Any of the four parties to the agreement can end the agreement by providing one year notice to the other three parties to the agreement. Although the towns and school districts are beneficiaries of the agreement, they are not parties to the agreement. As such, they cannot revoke the agreement. Once the agreement is nullified, state and local law would provide

guidance for how to distribute sales tax proceeds. State law references to distribution of sales tax proceeds according to the 1977 agreement would need to be removed. This may affect the 1.75% sales tax beyond the first 7% collected.

New York State Tax Law Section 1262 allows counties to share sales tax proceeds with school districts. It states that “[i]n the event all or a portion of the net collections are so set aside for educational purposes, the amounts thereof shall be distributed and paid quarterly to the several school districts in the county in accordance with the total average daily attendance for the last preceding school year of pupils residing in each such district (without regard to the location of the school attended), provided, however, that in the case of school districts which are partially within and partially without the county, such county will make a distribution to each such school district in accordance with the average daily attendance of the pupils in such school district who reside in such county and in any such case, the amount to be raised by school taxes by the district from the portion of such district within such county shall be reduced by the amount so distributed.” In short, sales tax revenues would be distributed to all school districts based on the attendance of students living in Erie County.

Erie County collects sales tax in the amount of 4.75% for local purposes beyond the 4% reserved for New York State. The distribution of that 4.75% is governed by New York State law and a sales tax agreement entered into by Erie County and its three cities. If the agreement is dissolved, Erie County would no longer share sales tax revenues with municipalities and school districts. Sales tax would likely be reduced from 8.75% to 7%, due to reliance of the law on the existence of the sales tax sharing agreement. Cities would likely impose their own sales tax. Erie County revenue would no longer include a percentage of sales occurring within the boundaries of the cities. Municipalities and school districts would likely seek to replace sales tax revenue with property tax revenue in the form of a property tax increase. Further, such a move might also impact Erie County in that bonds for the benefit of Erie County entered into by the Erie County Fiscal Stability Authority rely on the existence of a sales tax sharing agreement.

Sales Tax Amounts Shared with School Districts

Akron Central School District:

Erie County Towns Served: Akron, Alden, Clarence and Newstead

Approximate Number of Students in 2015-2016: 1,392

Approximate Number of Students in 2016-2017: 1,354

Average Daily Attendance for Erie County Students in 2016: 1,005

Sales Tax Received in 2016: \$ 1,197,427

Average Daily Attendance for Erie County Students in 2017: 1,021

Sales Tax Received in 2017: \$ 1,182,768

Expenditures per Pupil: \$18,940

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$42,500

Alden Central School District:

Erie County Towns Served: Alden, Lancaster, Newstead and Marilla

Approximate Number of Students in 2015-2016: 1,637

Approximate Number of Students in 2016-2017: 1,607

Average Daily Attendance for Erie County Students in 2016: 1,554

Sales Tax Received in 2016: \$ 1,810,738

Average Daily Attendance for Erie County Students in 2017: 1,509

Sales Tax Received in 2017: \$ 1,805,659

Expenditures per Pupil: \$17,894

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$34,800

Amherst Central School District:

Erie County Towns Served: Amherst and Cheektowaga

Approximate Number of Students in 2015-2016: 2,883

Approximate Number of Students in 2016-2017: 2,815

Average Daily Attendance for Erie County Students in 2016: 2,857

Sales Tax Received in 2016: \$ 3,317,233

Average Daily Attendance for Erie County Students in 2017: 2,846

Sales Tax Received in 2017: \$ 3,344,334

Expenditures per Pupil: \$18,769

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$38,786

Cheektowaga Central School District:

Erie County Towns Served: Cheektowaga and West Seneca

Approximate Number of Students in 2015-2016: 2,057

Approximate Number of Students in 2016-2017: 2,074

Average Daily Attendance for Erie County Students in 2016: 2,013

Sales Tax Received in 2016: \$ 2,311,471

Average Daily Attendance for Erie County Students in 2017: 2,072

Sales Tax Received in 2017: \$ 2,377,197

Expenditures per Pupil: \$18,765

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$37,575

Cheektowaga-Maryvale U.S.F.D.:

Erie County Towns Served: Cheektowaga

Approximate Number of Students in 2015-2016: 2,123
Approximate Number of Students in 2016-2017: 2,094
Average Daily Attendance for Erie County Students in 2016: 2,169
Sales Tax Received in 2016: \$ 2,320,645
Average Daily Attendance for Erie County Students in 2017: 2,042
Sales Tax Received in 2017: \$ 2,398,339
Expenditures per Pupil: \$18,384
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$39,562

Cheektowaga-Sloan U.S.F.D.:

Erie County Towns Served: Cheektowaga and West Seneca
Approximate Number of Students in 2015-2016: 1,334
Approximate Number of Students in 2016-2017: 1,304
Average Daily Attendance for Erie County Students in 2016: 1,288
Sales Tax Received in 2016: \$ 1,525,586
Average Daily Attendance for Erie County Students in 2017: 1,281
Sales Tax Received in 2017: \$ 1,563,050
Expenditures per Pupil: \$20,898
Expenditures per Pupil in Similar School Districts in NYS: \$21,264
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$42,303

City of Buffalo School District:

Erie County Towns Served: Buffalo (City)
Approximate Number of Students in 2015-2016: 31,359
Approximate Number of Students in 2016-2017: 31,398
Average Daily Attendance for Erie County Students in 2016: 37,392
Sales Tax Received in 2016: \$ 42,999,303
Average Daily Attendance for Erie County Students in 2017: 38,654
Sales Tax Received in 2017: \$ 44,188,379
Expenditures per Pupil: \$20,914
Expenditures per Pupil in Similar School Districts in NYS: \$21,287
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$42,133

City of Lackawanna School District:

Erie County Towns Served: Lackawanna (City)
Approximate Number of Students in 2015-2016: 1,730
Approximate Number of Students in 2016-2017: 1,838
Average Daily Attendance for Erie County Students in 2016: 2,208
Sales Tax Received in 2016: \$ 2,468,864

Average Daily Attendance for Erie County Students in 2017: 2,409
Sales Tax Received in 2017: \$ 2,646,941
Expenditures per Pupil: \$18,960
Expenditures per Pupil in Similar School Districts in NYS: \$21,264
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$47,925

City of Tonawanda School District:

Erie County Towns Served: Tonawanda (City)
Approximate Number of Students in 2015-2016: 1,682
Approximate Number of Students in 2016-2017: 1,716
Average Daily Attendance for Erie County Students in 2016: 1,555
Sales Tax Received in 2016: \$ 1,878,253
Average Daily Attendance for Erie County Students in 2017: 1,594
Sales Tax Received in 2017: \$ 1,895,589
Expenditures per Pupil: \$17,815
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$35,241

Clarence Central School District:

Erie County Towns Served: Clarence, Amherst, Lancaster and Newstead
Approximate Number of Students in 2015-2016: 4,472
Approximate Number of Students in 2016-2017: 4,456
Average Daily Attendance for Erie County Students in 2016: 4,445
Sales Tax Received in 2016: \$ 5,171,409
Average Daily Attendance for Erie County Students in 2017: 4,394
Sales Tax Received in 2017: \$ 5,192,487
Expenditures per Pupil: \$16,516
Expenditures per Pupil in Similar School Districts in NYS: \$26,819
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$41,930

Cleveland Hill U.S.F.D.:

Erie County Towns Served: Cheektowaga
Approximate Number of Students in 2015-2016: 1,223
Approximate Number of Students in 2016-2017: 1,213
Average Daily Attendance for Erie County Students in 2016: 1,295
Sales Tax Received in 2016: \$ 1,471,094
Average Daily Attendance for Erie County Students in 2017: 1,238
Sales Tax Received in 2017: \$ 1,481,227
Expenditures per Pupil: \$21,609
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$40,500

Depew U.S.F.D.:

Erie County Towns Served: Cheektowaga and Lancaster

Approximate Number of Students in 2015-2016: 1,809

Approximate Number of Students in 2016-2017: 1,781

Average Daily Attendance for Erie County Students in 2016: 1,824

Sales Tax Received in 2016: \$ 2,074,854

Average Daily Attendance for Erie County Students in 2017: 1,774

Sales Tax Received in 2017: \$ 2,099,840

Expenditures per Pupil: \$20,391

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$39,047

East Aurora U.S.F.D.:

Erie County Towns Served: Aurora, Colden and Elma

Approximate Number of Students in 2015-2016: 1,763

Approximate Number of Students in 2016-2017: 1,777

Average Daily Attendance for Erie County Students in 2016: 1,739

Sales Tax Received in 2016: \$ 2,002,029

Average Daily Attendance for Erie County Students in 2017: 1,747

Sales Tax Received in 2017: \$ 2,039,708

Expenditures per Pupil: \$17,624

Expenditures per Pupil in Similar School Districts in NYS: \$26,819

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$41,952

Eden Central School District:

Erie County Towns Served: Eden, Boston, Evans, North Collins and Concord

Approximate Number of Students in 2015-2016: 1,360

Approximate Number of Students in 2016-2017: 1,339

Average Daily Attendance for Erie County Students in 2016: 1,334

Sales Tax Received in 2016: \$ 1,566,662

Average Daily Attendance for Erie County Students in 2017: 1,305

Sales Tax Received in 2017: \$ 1,555,739

Expenditures per Pupil: \$17,890

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$42,100

Evans-Brant Central School District:

Erie County Towns Served: Brant, Eden and Evans

Approximate Number of Students in 2015-2016: 2,449
Approximate Number of Students in 2016-2017: 2,355
Average Daily Attendance for Erie County Students in 2016: 2,294
Sales Tax Received in 2016: \$ 2,641,522
Average Daily Attendance for Erie County Students in 2017: 2,397
Sales Tax Received in 2017: \$ 2,714,441
Expenditures per Pupil: \$21,320
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$46,225

Frontier Central School District:

Erie County Towns Served: Hamburg and Eden
Approximate Number of Students in 2015-2016: 4,837
Approximate Number of Students in 2016-2017: 4,773
Average Daily Attendance for Erie County Students in 2016: 4,679
Sales Tax Received in 2016: \$ 5,360,701
Average Daily Attendance for Erie County Students in 2017: 4,640
Sales Tax Received in 2017: \$ 5,470,678
Expenditures per Pupil: \$14,955
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$43,500

Gowanda Central School District:

Erie County Towns Served: Collins and North Collins
Approximate Number of Students in 2015-2016: 1,170
Approximate Number of Students in 2016-2017: 1,189
Average Daily Attendance for Erie County Students in 2016: 650
Sales Tax Received in 2016: \$ 759,998
Average Daily Attendance for Erie County Students in 2017: 675
Sales Tax Received in 2017: \$ 768,703
Expenditures per Pupil: \$23,149
Expenditures per Pupil in Similar School Districts in NYS: \$22,611
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$44,980

Grand Island Central School District:

Erie County Towns Served: Grand Island
Approximate Number of Students in 2015-2016: 2,913
Approximate Number of Students in 2016-2017: 2,865
Average Daily Attendance for Erie County Students in 2016: 2,820
Sales Tax Received in 2016: \$ 3,253,136

Average Daily Attendance for Erie County Students in 2017: 2,793
Sales Tax Received in 2017: \$ 3,296,151
Expenditures per Pupil: \$19,099
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$44,440

Hamburg School District:

Erie County Towns Served: Hamburg, Boston, Eden and Orchard Park
Approximate Number of Students in 2015-2016: 3,421
Approximate Number of Students in 2016-2017: 3,443
Average Daily Attendance for Erie County Students in 2016: 3,452
Sales Tax Received in 2016: \$ 3,917,392
Average Daily Attendance for Erie County Students in 2017: 3,375
Sales Tax Received in 2017: \$ 3,950,747
Expenditures per Pupil: \$18,553
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$40,300

Holland Central School District:

Erie County Towns Served: Holland, Colden, Wales, Sardinia, Concord and Aurora
Approximate Number of Students in 2015-2016: 885
Approximate Number of Students in 2016-2017: 870
Average Daily Attendance for Erie County Students in 2016: 843
Sales Tax Received in 2016: \$ 942,451
Average Daily Attendance for Erie County Students in 2017: 803
Sales Tax Received in 2017: \$ 975,467
Expenditures per Pupil: \$18,726
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$40,350

Iroquois Central School District:

Erie County Towns Served: Elma, Marilla, Wales, Aurora and Lancaster
Approximate Number of Students in 2015-2016: 2,296
Approximate Number of Students in 2016-2017: 2,229
Average Daily Attendance for Erie County Students in 2016: 2,299
Sales Tax Received in 2016: \$ 2,652,834
Average Daily Attendance for Erie County Students in 2017: 2,215
Sales Tax Received in 2017: \$ 2,663,097
Expenditures per Pupil: \$19,177
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$41,000

Kenmore-Town of Tonawanda U.S.F.D.:

Erie County Towns Served: Tonawanda

Approximate Number of Students in 2015-2016: 6,820

Approximate Number of Students in 2016-2017: 6,687

Average Daily Attendance for Erie County Students in 2016: 6,719

Sales Tax Received in 2016: \$ 8,108,797

Average Daily Attendance for Erie County Students in 2017: 6,875

Sales Tax Received in 2017: \$ 8,149,481

Expenditures per Pupil: 20,733

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$40,453

Lancaster Central School District:

Erie County Towns Served: Lancaster, Cheektowaga, Elma and Depew

Approximate Number of Students in 2015-2016: 5,748

Approximate Number of Students in 2016-2017: 5,654

Average Daily Attendance for Erie County Students in 2016: 5,687

Sales Tax Received in 2016: \$ 6,484,553

Average Daily Attendance for Erie County Students in 2017: 5,576

Sales Tax Received in 2017: \$ 6,605,189

Expenditures per Pupil: \$15,467

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$42,100

North Collins Central School District:

Erie County Towns Served: North Collins, Collins, Concord, Brant, Eden and Evans

Approximate Number of Students in 2015-2016: 583

Approximate Number of Students in 2016-2017: 585

Average Daily Attendance for Erie County Students in 2016: 649

Sales Tax Received in 2016: \$ 713,130

Average Daily Attendance for Erie County Students in 2017: 609

Sales Tax Received in 2017: \$ 723,698

Expenditures per Pupil: \$23,360

Expenditures per Pupil in Similar School Districts in NYS: \$21,790

Expenditures per Pupil in all Districts in NYS: \$23,361

Base Starting Teacher Salary (MA/MS): \$72,478

Orchard Park Central School District:

Erie County Towns Served: Orchard Park, Aurora, Boston, Elma, Hamburg and West Seneca

Approximate Number of Students in 2015-2016: 4,766
Approximate Number of Students in 2016-2017: 4,657
Average Daily Attendance for Erie County Students in 2016: 4,711
Sales Tax Received in 2016: \$ 5,501,997
Average Daily Attendance for Erie County Students in 2017: 4,666
Sales Tax Received in 2017: \$ 5,505,901
Expenditures per Pupil: \$18,117
Expenditures per Pupil in Similar School Districts in NYS: \$26,819
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$42,483

Springville-Griffith Institute Central School District:
Erie County Towns Served: Concord, Colden, Aurora, Boston, Collins and Sardinia
Approximate Number of Students in 2015-2016: 1,733
Approximate Number of Students in 2016-2017: 1,708
Average Daily Attendance for Erie County Students in 2016: 1,623
Sales Tax Received in 2016: \$ 1,916,866
Average Daily Attendance for Erie County Students in 2017: 1,591
Sales Tax Received in 2017: \$ 1,910,760
Expenditures per Pupil: \$19,887
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$43,161

Sweet Home Central School District:
Erie County Towns Served: Amherst and Tonawanda
Approximate Number of Students in 2015-2016: 3,153
Approximate Number of Students in 2016-2017: 3,142
Average Daily Attendance for Erie County Students in 2016: 3,055
Sales Tax Received in 2016: \$ 3,553,824
Average Daily Attendance for Erie County Students in 2017: 3,081
Sales Tax Received in 2017: \$ 3,590,381
Expenditures per Pupil: \$21,172
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$83,772

West Seneca Central School District:
Erie County Towns Served: West Seneca, Cheektowaga, Orchard Park and Hamburg
Approximate Number of Students in 2015-2016: 6,509
Approximate Number of Students in 2016-2017: 6,482
Average Daily Attendance for Erie County Students in 2016: 6,292
Sales Tax Received in 2016: \$ 7,292,401

Average Daily Attendance for Erie County Students in 2017: 6,245
Sales Tax Received in 2017: \$ 7,367,304
Expenditures per Pupil: \$16,768
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$47,031

Williamsville Central School District:
Erie County Towns Served: Amherst, Clarence and Cheektowaga
Approximate Number of Students in 2015-2016: 9,962
Approximate Number of Students in 2016-2017: 9,961
Average Daily Attendance for Erie County Students in 2016: 9,750
Sales Tax Received in 2016: \$ 11,222,278
Average Daily Attendance for Erie County Students in 2017: 9,712
Sales Tax Received in 2017: \$ 11,411,505
Expenditures per Pupil: \$17,187
Expenditures per Pupil in Similar School Districts in NYS: \$21,790
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$42,000

Yorkshire-Pioneer Central School District:
Erie County Towns Served: Holland and Sardinia
Approximate Number of Students in 2015-2016: 2,333
Approximate Number of Students in 2016-2017: 2,344
Average Daily Attendance for Erie County Students in 2016: 177
Sales Tax Received in 2016: \$ 174,892
Average Daily Attendance for Erie County Students in 2017: 173
Sales Tax Received in 2017: \$ 206,389
Expenditures per Pupil: \$21,708
Expenditures per Pupil in Similar School Districts in NYS: \$22,611
Expenditures per Pupil in all Districts in NYS: \$23,361
Base Starting Teacher Salary (MA/MS): \$37,500

Total Sales Tax Collected in Erie County in 2016: \$ 745,819,584
Approximate Number of Students Enrolled in 2016: 118,231
Total Sale Tax Distributed to School Districts in 2016: \$ 136,612,341

Total Sales Tax Collected in Erie County in 2017: \$ 759,315,515
Approximate Number of Students Enrolled in 2017: 119,316
Total Sale Tax Distributed to School Districts in 2017: \$ 139,081,150

Observations Regarding Sales Tax Distribution

The total number of students enrolled in Erie County schools declined between 2015-2016 and 2016-2017. During this same time frame, the total sales tax collected in Erie County increased. As such, the amount of money distributed on average per student increased. However, the increase in average per student remittance may have not been enough to offset the decline in student population in some districts. As such, some districts saw a decrease in the amount of sales tax received in a year in which sales tax receipts overall increased. This could present a challenge for districts with rising fixed costs.

Of course, increased student population, while resulting in higher sales tax distributions, presents its own challenges. The marginal costs associated with the increase in student population are likely not entirely offset by increased sales tax distribution from Erie County. As such, districts will either have to decrease total costs, increase other revenue from other sources, or a combination of both in order to present a balanced budget to taxpayers.

Concurrent with federal tax cuts and associated bonuses that some corporations are distributing to employees, sales tax receipts in Erie County are above budgeted numbers. As such, at this point, it appears that sales tax distributions to school districts will again increase in 2018. Of course, sales tax receipts are affected by a number of factors and can change throughout the year.

Process for Consolidation of School Districts

In the late 1800's, New York State had roughly 11,000 school districts. Beginning in the early 1900's, New York State sought to encourage the consolidation of school districts to reduce this number. By 1950, there were a bit over 3000 school districts. Today, there are approximately 700 school districts statewide. Twenty-nine of those districts serve students in Erie County.

The law describes various ways to consolidate school districts, depending on the current configuration of the school districts to be consolidated. The most common form of consolidation and reorganization utilized for school districts in Erie County would be centralization. This would reorganize contiguous districts into a single district encompassing the entire area of the districts to be merged. Although New York State Education Law allows some variation as to how the requirements of the law are met, the most typical steps employed in practice are as follows:

After extensive study into the benefits and logistics of creating a new school district out of previously existing districts, residents of the district take part in a straw poll to determine if there is local support for creation of a new district out of previously existing districts. The straw polls take place separately in each of the districts affected. If there is not local support, the consolidation will not proceed. If there is support, and if the school boards of the affected

districts agree on a plan for merger, the Commissioner of Education will “lay out” the new district.

After this “lay out,” residents of the district are informed of the plan to merge the districts and a date for a vote is set. The vote will again occur separately in each of the districts affected by the merger. If the vote in each of the affected districts is affirmative, the new school district will become effective on July 1 following the vote. Oftentimes, the votes will be accompanied by a ballot question that asks, if the merger is approved, what size school board will govern the new merged school district.

Merging school districts is not a matter to be taken lightly or entered into quickly without careful study. Well before any vote on a merger occurs, elected members of the school boards in the affected districts, as well as superintendents and other administrators, will meet to determine whether a merger will result in sufficient benefits to even warrant a study. If the elected members of the school board determine that there are potentially sufficient benefits to warrant further investigation, the districts will conduct a joint comprehensive feasibility study.

The feasibility study serves to better inform school district officials as how a merged district would operate, inform residents as to how the district would be affected by reorganization and assist in preparing residents for a vote on the matter, and offer details to the Commissioner to assist in the decision as to whether the merger has sufficient benefits and is organized enough to warrant a formal order “laying out” the district. Again, the order is what is ultimately voted upon by residents of each of the affected districts.

The feasibility study should cover many topics, including current and projected enrollments; current and projected professional staffing plans; current and projected maps regarding which residents will be served by which schools; a transportation plan; a plan for curricula and educational programs to be offered in the new district; and, the financial implications of the reorganization.

At this point, assuming that the feasibility study supports merger of the districts, the public is informed of the results of the study and the proposed operation of a merged district. The public can then become involved in discussions regarding the proposal. It is imperative that the public be adequately informed on all aspects of the merger. Adequate information is necessary before the affected residents can make an informed decision in the form of a vote. The formal steps necessary for approval as described above can now occur.

Potential Benefits of School District Mergers

Economies of Scale:

One of the main reasons that school districts seek consolidation is to reduce costs. With a combination of districts, certain redundancies would likely be created that could be targets for

cost cutting measures. For example, if two districts merged, it would only need one superintendent instead of two. It may be able to reduce the number of transportation offices from two to one. The same may be said for human resources departments. As such, even though the number of students would increase in the district, the amount of money spent per pupil would decrease. This effect is commonly known as economies of scale.

When examining whether consolidation would reduce costs, districts must be aware of what costs are that may be reduced with consideration to costs that may actually increase as a result of consolidation. Notably, schools serving Erie County students tend to spend less per pupil than peer districts across the state. Gowanda Central School District spends roughly \$500 more per pupil than similar districts on average across New York State. North Collins Central School District spends roughly \$1,500 more per pupil than similar districts on average across New York State. Without exception, school districts serving Erie County students spend less per pupil than the average spent per pupil in all districts across New York State.

A number of recent studies show that smaller school districts stand to gain the most from consolidation, if there are gains at all. The studies indicate that economies of scale benefits decrease as the merged districts increase in size. Larger districts are more complex, and these complexities result in increased costs.

A study by Syracuse University of New York State school districts concluded that consolidation of two 300-pupil districts lowered costs by approximately 20%, the consolidation of two 900-pupil districts lowered costs by 8% and the consolidation of two 1,500-pupil district had little impact on costs. In Erie County, North Collins Central School District has approximately 585 pupils. Holland Central School District has approximately 870 pupils. The rest of the districts all have over 1,200 pupils. As such, it may be difficult to find suitable school districts for whom consolidation would result in cost savings.

A University at Buffalo study came to a similar conclusion that only districts with small enrollments are likely to benefit from consolidation. They concluded that districts over 2,000 pupils would see only small efficiency gains, if any at all.

Increased State Aid:

Another potential benefit of school district consolidation is increased state aid. In an effort to encourage consolidation of school districts, New York State offers increased aid to newly consolidated school districts. The purpose of this aid is typically to help temporarily stabilize tax rates. In many mergers, residents in one of the merged districts will see an increase in tax rates. The state aid assists in reducing the increase in school tax. The state aid continues for six years, and then decreases by 4% each year until year 14, at which time the increased aid ends.

Rather than provide tax relief, districts may opt to use the temporarily increased state aid to build centralized facilities in the new, larger district or they may use the windfall for increased

programming for students. Of course, ways of continued funding for such expenditures must be considered for when the temporary aid expires.

Increased Student Diversity:

A larger district will result in a larger number of students within the district. Each of these students is an individual with his or her own talents to share. When viewed collectively, there will likely be an increase in cultural, economic and experiential diversity. This presents an increased opportunity for peer-to-peer learning.

When the new consolidated district is formed, borderlines for attendance at schools within the districts will likely be redrawn. If not, pupils would not benefit from this opportunity, because they would be attending school with the same students that they had previously. Systems may need to be implemented to create an atmosphere where students can learn from these peer-to-peer educational opportunities. Such systems may come at an additional fiscal cost.

Increased Academic Programs:

In order to address fiscal realities, some schools have cut certain classes from their curriculum. These classes tend to be electives with excess capacity. If too few students are interested in the subject, it may be difficult to justify the cost of offering the class. Such classes may include art, music or even advanced placement college-level courses.

By increasing the number of students in a district, there are more students who may be interested in taking such classes. With increased interest, class size would increase and the cost of teachers and materials for such a class may again become justifiable.

Increased Extracurricular Activities:

Sports and other extracurricular activities are seen as ways to better engage students in learning and a sense of community at school. For many students, this will result in improved learning outcomes.

Smaller schools tend to have less resources for sports and other extracurricular activities. Just as with academic programs, excess capacity makes an attractive target to cut in order to save money. This is especially true in the area of sports, where a minimum number of participants is frequently required in order to field a team. By increasing the size of a district, there are more students who may be interested in a particular activity, thus allowing justification for offering the activity.

Increasing the pool of potential participants may also result in shutting out students who are competing for a limited number of opportunities. This is particularly true in sports. A star on a smaller team may be a second-stringer at a larger school, or may not even make the cut to participate on the team at all. The team for the larger district may also be placed in a division

for larger schools, thus increasing the level of competition for the students who are able to make the team.

Potential Disadvantages of School District Mergers

Higher Salaries:

When multiple school districts merge, the teachers and other staff at each district are likely operating under different salary agreements. When this occurs, the salaries of the higher paid teachers tend not to be reduced at the new, larger district. Rather, the salaries for the teachers and staff tend to increase to the higher paid contract. This can be especially costly in districts where, for example, teachers in District A are paid significantly more than teachers in District B, but administrative staff in District B are paid significantly more than administrative staff in District A. In such a scenario, the wages for all employees increases significantly. Sometimes this increase in salaries is enough to entirely offset other savings that would occur due to consolidation.

In a hypothetical merger between Cheektowaga Central School District and Cheektowaga-Sloan Union Free School District, difference in salaries could impact potential savings through consolidation. A starting teacher in Cheektowaga with a Master of Science Degree and no other additional duty pay would receive \$37,575 per year. A similar starting teacher at Cheektowaga-Sloan would receive \$42,303. The Cheektowaga teacher would not surpass the Cheektowaga-Sloan teacher's starting salary until his or her fifth year of employment, at which time the Cheektowaga-Sloan teacher would be earning \$49,080. A teacher at Cheektowaga with 17 years of experience earns \$64,825, not including additional duty pay. A similar teacher at Cheektowaga-Sloan earns \$91,586. The difference in salary, in addition to the obvious fiscal impacts, may present morale issues as well. This could be due to more experienced teachers earning less than newer teachers.

Typically, when the contract expires, the new contract encompassing all of the teachers in the new school district will bring salaries to the higher level. There is little incentive for teachers operating under a previous contract to approve a contract which lowers their pay. This increase in pay would certainly impact potential cost savings of a consolidation. Further, there are other contractual compensation amounts that may need to be brought to a higher level. At Cheektowaga, a Yearbook Advisor receives a \$2,636 stipend. At Cheektowaga-Sloan, the Yearbook Advisor earns \$5,358. At Cheektowaga, the Newspaper Advisor receives \$2,036. At Cheektowaga-Sloan, the amount is \$3,980. At Cheektowaga, the Varsity Football Coach receives \$5,028. At Cheektowaga-Sloan, the Varsity Football Coach receives \$6,171. These are just a few of the many assignments for which a teacher may receive additional duty stipends.

There are also other salary related costs that may occur temporarily at the time of consolidation. As stated earlier, costs savings from consolidation may occur by eliminating duplicative

functions. An example of a duplicative position may be that of superintendent. However, many superintendents operate under a term employment contract. If the districts merge before the end of the superintendent's contract, the new district will be responsible for paying the superintendent under the terms of that contract, even though that individual may not be the superintendent of the new school.

Increased Taxes:

As a result of many mergers of school districts, school taxes in at least one of the districts increase. Even though there may be financial savings as a result of a merger, the make-up of the pool of taxpayers providing the funding for school districts may change.

School taxes are based on the assessed value of the property within the district and on the total amount to be taxed. Due to differing property valuations and/or the size of the budgets charged by the smaller districts, the amount of school tax paid could increase for some and decrease for others. For a district in such a situation, it may be difficult to convince voters deciding on whether to merge that they should vote to possibly save money, even though their taxes will increase. Because each district's residents must approve the merger, success of such a proposal would be a challenge.

In 2011, a merger between Wells and Lake Pleasant Central School Districts in Hamilton County was defeated by voters. Individuals interviewed about the vote stated that tax rates were a concern. If the merger succeeded, homeowners from the Lake Pleasant district would have paid \$60 more in the first year of the merger for a \$100,000 home. Likewise, tax rates in the Wells district would have gone down. Even if the voters from Wells supported the merger, those from Lake Pleasant would have to support it as well. Due to higher taxes, they did not.

Loss of Community Identity:

Many students and adult residents of a community have pride in the community identity that a school district can provide. A new school district will result in a new school name, a new mascot, new boundaries and other changes. While many view such a move as an opportunity for a new beginning, others may view the change as a loss of a sense of community.

Of course, there are also associated costs for rebranding the new school districts. New signage, letterhead, uniforms and other items will need to be purchased to replace the obsolete items bearing the old school district's identity.

Beyond this, there are also challenges to be faced in school governance. A new school board will be elected to operate the new school system. In a merger between a small school and a significantly larger school, the voices of students and residents of the smaller district may be diminished and possibly even drowned out entirely. Because the voting bloc for the larger school district may vastly outnumber that of the smaller school district, traditions and values of

the larger school district may be preserved while traditions and values of the smaller school district may be lost.

Benefits of School Districts Sharing Services

School districts do not need to undergo consolidation in order to realize cost savings. Rather, districts can look to share services with other districts or municipalities. Examples may include: consolidating existing duplicative services (but not entire districts); sharing responsibility for delivering services; contracting together with third parties to provide services; and sharing equipment and facilities. One notable benefit to sharing services instead of a consolidation of districts is the relative simplicity of the process. As discussed above, the process of consolidation is cumbersome. It requires extensive study of entire districts and multiple votes in order proceed with the massive reorganization into a new school district. Shared services initiatives allows for the streamlined identification of cost savings, examination of the most effective way to implement the shared services, and most likely a simple majority vote of the two school boards involved. This allows the parties entering the agreement to start saving immediately after agreement, rather than waiting for the process described in the laws regarding consolidation.

Many school districts in Erie County already utilized shared services to save taxpayer dollars and enrich student experiences. School districts have merged athletic teams for certain sports when there is a lack of necessary participation to field a full team. School districts share an athletic director and buildings and grounds supervisor. School districts share a food services director. At least one school district shares fueling sites with other governmental service providers, as well as a highway garage and equipment. There are many other ways that school districts can and do share services.

In addition to physical assets and staff, school districts may be able to share educators. This can occur either through the physical presence of the teacher in the district on certain days, or in the form of distance education models which require the teacher to be present on some days, but allows the student to perform tasks or attend class in a virtual setting on others. This model is utilized by colleges and universities across the world.

Just as with consolidation, shared service agreements warrant careful study to ensure that the agreement would be beneficial to all parties involved. Among the many considerations, the districts must consider: what the goals are of sharing the service; how savings will be measured; whether other services will be affected by the sharing of services; who will supervise the services shared; whether the sharing of services will affect the ability of districts to pursue other assistance or grants; whether the agreement will result in any union issues; and, how the shared services will be evaluated to determine if goals were met. The ultimate agreement should be crafted in a transparent manner so that the affected residents can see the benefits and evaluate drawbacks, if any. Further, it is important that residents know who is providing the service, so that questions regarding the service can be directed properly.

Conclusion

Each year, Erie County shares over \$130,000,000 with school districts who teach Erie County residents. The reason for this is a sharing agreement entered into by Erie County and the cities of Buffalo, Tonawanda and Lackawanna in 1977. The basis for the amount shared is the number of students attending school in each district. Erie County also shares sales tax revenues with cities, towns and villages in Erie County. If the agreement was nullified, the County could decide to continue to share sales tax revenues with school districts. New York State allows such an agreement, but the basis for the amount shared would remain the number of students attending school in each district.

Schools are rightfully seeking ways to address the increasing costs of educating our children. Research indicates that for most districts, consolidation is not the best way to achieve cost savings. Consolidation works best when two very small districts merge together. Consolidation is not as successful when the targets for merger are medium to larger schools.

Shared services present an opportunity for school districts to realize cost savings. These services can be shared between school districts or even school districts and other municipalities. Shared services allow for specific targeting of cost savings and have the added advantage of avoiding the cumbersome process of consolidation, permitting the savings to be realized more quickly. School districts across Erie County have pursued and implemented successful shared services agreements and will achieve cost savings by continuing to do so.